DO CROSS-BORDER ACQUISITIONS CREATE VALUE FOR THE SHAREHOLDERS OF ACQUIRING COMPANIES?

A study on Japanese cross-border acquisitions conducted between years 2010-2015

Finance
Master´s Thesis
Paavo Lappalainen
2017

Department of Finance
Aalto University
School of Business

Aalto University
School of Business

Aalto University, P.O. BOX 11000, 00076 AALTO
www.aalto.fi

Abstract of master's thesis

Author Paavo Lappalainen

Title of thesis Do cross-border acquisitions create value for acquiring shareholders ?– Study on Japanese cross-border acquisitions conducted between 2010-2015

Degree Master of Science in Economics and Business Administration

Degree programme Finance

Thesis advisor(s) Peter Nyberg

Year of approval 2017 **Number of pages** 53 **Language** English

OBJECTIVES OF THIS STUDY

In this thesis, I study whether cross-border acquisitions conducted by Japanies companies during 2010-2015 produce any cumulative abnormal returns measured within short-term event window around cross-border acquisition announcement date. In this study, cumulative average abnormal returns were calculated within three different event windows of (-3, +3), (-3, +1) and (-1, +1) around the cross-border acquisition announcement date. In addition, I study whether target company geographical region and the year of announcement has any effect on the resulting short-term average cumulative abnormal returns.

DATA AND METHODOLOGY

The final data sample of my study consist of 334 cross-border acquisition announcements in Japan during selected observation period of 2010-2015. In this thesis, event study methodology and cross-sectional regression analysis were utilized in order to calculate the average cumulative abnormal returns around the cross-border acquisition announcement date and to find out if some specific determinants has any influence on the resulting average cumulative abnormal returns.

RESULTS

The results of this thesis indicate that Japanese acquiring companies experience negative cumulative average abnormal return measured within different short-term event windows around the cross-border acquisition announcement date. Average cumulative abnormal returns over different event windows of (-3, +3), (-3, +1) and (-1, +1) were -0,24%, -0,44% and -0,49% respectively. The results of my thesis were contradictory to previous similar studies conducted in Japanese markets. Surprisingly, cross-border acquisitions targeted in Europe produced larger average cumulative abnormal returns than cross-border acquisitions targeted into Asian markets.

Keywords Cross-border acquisitions, Mergers and Acquisitions

Aalto-yliopisto
Kauppakorkeakoulu

Aalto-yliopisto, PL 11000, 00076 AALTO
www.aalto.fi

Maisterintutkinnon tutkielman tiivistelmä

Tekijä Paavo Lappalainen

Työn nimi Luovatko rajat ylittävät yritysostot arvoa ostajayhtiöille? – Aineistona rajat ylittävät yritysostot Japanissa vuosina 2010-2105

Tutkinto Kauppatieteiden maisteri

Koulutusohjelma Rahoitus

Työn ohjaaja(t) Peter Nyberg

Hyväksymisvuosi 2017 **Sivumäärä** 53 **Kieli** Englanti

TUTKIELMAN TAVOITTEET

Tämän pro gradu –tutkielman tavoitteena on tutkia luovatko rajat ylittävät yritysostot arvoa ostajayhtiöille Japanissa vuosien 2010-2015 aikana. Arvonluontia on tutkittu mittaamalla lyhyen ajan osakkeen markkinareaktiota rajat ylittävien yritysostojen julkisen ilmoituspäivän ympärillä. Tässä tutkimuksessa lyhyen aikavälin markkinareaktiota on tutkittu 3, 5 ja 7 päivän aikaikkunoissa julkisen ilmoituspäivän ympärillä. Lisäksi tutkin vaikuttaako ostettavan yrityksen maantieteellinen sijainti ja ilmoitusvuosi muodostuvaan lyhyen ajan markkinareaktioon julkisen ilmoituspäivän ympärillä.

AINEISTO JA MENETELMÄT

Tutkimuksen aineisto koostuu 334 julkisesti ilmoitetusta rajat ylittävästä yritysostosta Japanissa vuosien 2010 ja 2015 välisenä aikana. Tutkimusmenetelmänä käytetään perinteistä tapahtumatutkimusta hyödyntäen usean muuttujan regressiota, joissa rajat ylittävien yritysostojen informaatiosisältö mitataan epänormaaleilla osaketuotoilla 3, 5 ja 7 päivän tapahtumaikkunoissa julkisen yritysostoilmoituksen ympärillä.

TULOKSET

Tutkimukseni tulokset osoittavat, että osakkeen lyhyen aikavälin markkinareaktio on keskimäärin hieman negatiivinen julkisen yritysostoilmoituksen ympärillä. Tulokset ovat päinvastaisia aiemmin Japanissa tehtyjen tutkimusten suhteen. Lisäksi havaitsin, että ostettavan yrityksen sijainti vaikuttaa muodostuvaan osakkeen lyhyen aikavälin markkinareaktioon. Tulokseni osoittavat, että Eurooppaan kohdistuneet yritysostot olivat keskimäärin kannattavampia kuin Aasian markkinoille kohdistuneet yritysostot.

Avainsanat Rajat ylittävät yritysostot, yrityskaupat

Contents

1 INTRODUCTION

In today's global markets, companies worldwide face pressures to internationalize their operations in order to fulfill their growth targets and succeed in ever tightening global competition. One of the main reasons for increased level of cross-border M&A transactions is the international consolidation of product markets (Inoue, 2013). Cross-border mergers and acquisitions (M&As) are defined as M&A transactions that involve an acquiring firm and a target firm whose headquarters are located in different home countries (EAISM, 2009).

Globally, both in terms of volume and value of transactions, cross-border M&As have increased dramatically during the last decade. According to Erel et al. (2009), cross-border transactions made up 30% of M&A activity in 1998, but by 2007 this figure had already increased to 47% of all deals. In 2012, total deal value of completed M&A deals in Japan accounted already 5% of total global deals (Reuters' statistics, 2013).

Japanese outbound M&A reached a record high in 2012, with 679 deals accruing $85.9 billion, a 23.4% increase in value compared to previous record-high value of 2011. Cross-border transactions in Japan where the target company originated from US accounted for approximately 64% of the total outbound M&A volume (Reuters' statistics, 2013).

Despite the fact that almost half of worldwide M&A transactions nowadays involve firms from different originating countries, the majority of academic literature on M&As have focused on M&A transactions conducted in the domestic market. According to Mantecon (2009), the volume of cross-border acquisitions has increased almost three times faster than the volume of domestic acquisitions during the years 1985 and 2005.

Moreover, most of the academic studies have been performed in traditional M&A markets, such as in US or UK. Japan is the third largest economy in the world measured by the GDP, after US and China (Metwalli&Tang, 2013). Although the role of Japanese economy in the global context has significantly increased during the last decade, cross-border M&A transactions conducted by Japanese firms have so far received considerably little attention in the academic literature taking into consideration.

1.1 Purpose and motivation of this thesis

The purpose of this thesis is to study how cross-border acquisitions conducted by Japanese firms affects the value creation of acquiring firms' shareholders in the short-term time period after the cross-border announcement becomes public. This thesis contributes to the existing cross-border M&A literature by providing updated research information on the value effects for acquiring shareholders in Japan as a result of increased record-high value and volume of Japanese cross-border acquisitions during years 2010-2015.

The observation period of completed cross-border M&A transactions in Japan is selected to cover years 2010-2015 for the following reasons. Firstly, Japanese firms started to accelerate their overseas acquisitions aggressively from year 2010. Cross-border M&A activity of Japanese firms has been expanding annually reaching its all-time record high in 2011, and again in 2012. Solely in 2012, there was a record of 515 in-out M&A deals, i.e. Japanese firms taking over foreign ones according to study by (Bebenroth, 2013). Secondly, Japan's economy has been faltering since 2008 due to an aging population, deflation, weak consumer spending, and low investor confidence (Metwalli&Tang, 2013). These factors altogether have had a massive impact on the increased frequency of Japanese cross-border M&A transactions during the selected observation period of this study.
Thirdly, to my best knowledge, in the literature do not exist any comprehensive study on the short-term value creation effects of Japanese cross-border acquisitions during the 2010s.

In this thesis, event study methodology and cross-sectional regression analysis are utilized in order to empirically test the parameters and predictors that can influence the short-term value creation of acquiring company shareholders resulting from cross-border transaction announcements. The event study is conducted by calculating average cumulative abnormal returns within three different event windows around the cross-border acquisition announcement date: 3-day event window CAAR (-1, +1), 5-day event window CAAR (-1, +3) and 7-day event window CAAR (-3, +3). For the purposes of cross-sectional regression analysis, a list of independent dummy variables are introduced in order to detect if some specific deal characteristics have an influence on the resulting cumulative abnormal returns.

The reason behind selecting this particular topic was the lack of academic literature on Japanese cross-border acquisitions conducted between years 2010-2015.

1.2 Research questions of this thesis

The main objective of this thesis is to find out whether Japanese acquiring companies experience any average cumulative abnormal returns resulting from cross-border acquisitions over the specified event windows and which are the possible determinants that might influence on the resulting average cumulative abnormal returns.

Q1: How cross-border acquisitions conducted by Japanese firms affect the wealth creation of acquiring companies' shareholders in the short-term period after cross-border transaction announcement becomes public?

Wealth creation effects for acquiring shareholders is examined with the help of event study methodology which studies short-term value effects for acquiring company resulting from cross-border announcements. In previous studies conducted in Japanese market, the wealth effect for acquiring shareholders has been documented to be positive, average cumulative abnormal return being around 1-2% during the short-term event window surrounding the cross-border acquisition announcement date. Since

Q2: Does the announcement year of the cross-border acquisition has any influence on the resulting short-term cumulative average abnormal return of acquiring Japanese companies?

Cumulative average abnormal returns resulting from cross-border acquisition announcements are studied with respect to the announcement year during the selected observation period. The separation in respect to announcement year is made mainly because Japanese cross-border activity has experienced strong increase both in value and volume during years 2010-2015.

Q3: How does the short-term cumulative average abnormal return for acquiring company fluctuate in Japanese cross-border transactions with respect to the geographical region of the target company?

Cumulative average abnormal returns are studied by dividing the full data sample into three subsamples according to most common target country geographical region. Obtained CAARs are then compared and analyzed with each other in respect to geographical location of the target company.

1.3 Main findings

The results of this thesis shows that Japanese acquirers experience slightly negative cumulative abnormal returns during the different short-term event windows around the cross-border acquisition announcement date. On average, Japanese acquirers experience negative average cumulative abnormal return of -0,24% over 3-day event window around the cross-border acquisition announcement date. When measured within longer 5-day and 7-day event windows, Japanese acquirers experience greater negative average cumulative abnormal return of -0,49% and -0,44% respectively. The obtained results of this study are contradictory to similar previous studies conducted in Japan, see e.g. Pettway and Yamada (1984), Kang, Shivdasani and Yamada (1993), Inoue and Kato (2006), Hanamura, Inoue and Suzuki (2011) and Inoue 2012, which reported that stock prices of acquiring Japanese firms react positively at the time of M&A announcement. In these above mentioned studies, the average abnormal returns ranged between 1% and 2% within the specified short-term event window around the acquisition announcement date.

Cumulative average abnormal returns resulting for acquiring shareholders were also examined in respect to the geographical region of the target company involved in cross-border acquisition. Three most common geographical regions from where target company originates were Asia, North America and Europe. The results indicate that cross-border acquisitions targeted in Europe produced positive average cumulative abnormal returns measured within 3-day and 5-day event window around the cross-border acquisition announcement date. Average cumulative abnormal returns were 0,74% and 0,23% respectively. However, neither of these positive average cumulative abnormal returns were statistically significant at any confidence level. Surprisingly, cross-border acquisitions targeted in Asia were least profitable for acquiring Japanese shareholders in terms of average cumulative abnormal returns. Measured over event windows of 3-day, 5-day and 7-day around the cross-border acquisition announcement date, on average Japanese acquiring shareholders experience negative average cumulative abnormal return of -0,91%, -0,89% and -0,36% respectively when targeting the cross-border acquisitions into Asian target companies.

Cross-sectional regression analysis is conducted on the full sample of 334 cross-border acquisitions with 5 independent dummy variables. This study provides three different results from regression analysis where dependent or explanatory variable is the cumulative abnormal return (CAR) over different event windows of (-1, +1), (-3, +1) and (-3, +3) around the cross-border acquisition announcement date. The cross-sectional regression analysis results showed versatile correlations between dependent and independent variables and cumulative average abnormal returns of acquiring Japanese companies.

The structure of this thesis is as follows. In section 2 of this thesis, literature review of previous cross-border M&A studies and M&A theories are presented. Section 3 represents the data and employed methodology of this study. In section 4, empirical results of this study are presented and discussed. Finally, section 5 concludes the results of this thesis and provides suggestions for future research on this topic.

2 PREVIOUS RESEARCH

In this section of the thesis, reasons and motivation for cross-border acquisitions are firstly discussed. After that, an overview of Japanese M&A market and its current trends are presented. Finally, previous M&A short-term value creation studies around the world are presented including some recent Japanese papers as well.

2.1 Reasons and motivation for cross-border acquisitions

Compared to domestic acquisitions, cross-border acquisitions produce various challenges for acquiring companies because of cultural differences and behavior patterns that are unfamiliar in domestic market environment (Seth et. al, 2002).

Generally, companies can pursue for a cross-border acquisition for several company-specific reasons, of which most common are (Erel et. al, 2012):

a) Attempt to grow the business either through obtaining new products or technology
b) Expanding into new geographical markets
c) Getting access to new customer base
d) Capturing synergy benefits

In the literature, there have been presented several theories which drive the cross-border M&A transaction activity over time and leads the companies to pursue for M&A transactions for various company-specific and other more unsophisticated reasons.

Neoclassical hypothesis

The neoclassical theory of M&As implies that firms acting in the interests of shareholders only make acquisitions that increase their value (Rosen, 2006). However, neoclassical hypothesis argues that the level of M&A activity increases as firms in different industries responds to shocks in their operating environments (Martynova&Renneboog, 2008). This may lead to unprofitable outcomes particularly for the acquiring shareholders of the M&A transaction.

Managers' overconfidence (Hubris)

According to Roll (1986), the management of an acquiring company may exhibit hubris (overconfidence) when pursuing a M&A transaction. Hubris can lead to overestimation of the possible resulting synergies from M&As which leads to overpayment for the target company. The result of hubris is that the acquiring shareholders usually lose in M&A transactions while the target company shareholders receive in transaction more than is justified on their current overall valuation.

Synergy hypothesis

The synergy hypothesis (see e.g. Kogut&Zander, 1993) states that managers execute M&A transactions only if the value of the combined company exceeds the sum of values of the individual companies. According to Seth et. al, (2002), the synergy hypothesis is the primary reason why companies manage to conduct value-increasing acquisitions for their shareholders.

Free cash flow theory

Jensen (1986) suggested in his study that managers endowed with free cash flow would rather choose to undergo value destructing M&As instead of paying cash out to shareholders. According to Jensen (1986), the problem is how to motivate company's management to divide cash out to shareholders instead of taking part into value-destructing acquisitions.

Efficient market hypothesis

According to famous efficient-market hypothesis by Fama (1970), the stock prices of publicly traded companies should immediately react when new information reaches the market. The entire value creation effect related to certain event, such as announcement of merger or stock split, should be incorporated into the stock price at the time of the announcement.

In general, cross-border acquisitions are seen as ways to purchase strategic assets available with the foreign target firms. Acquirers' purpose is to seek various technology-based resources and skills from target firms that are superior or not available with the domestic firms in a particular product market. By acquiring an existing foreign company, the acquirer gains access to resources and technologies, such as patent-protected technologies and superior management and marketing skills. Cross-border acquisitions are thus likely to add more value for acquiring companies compared to domestic acquisitions.

2.2 Overview of Japanese M&A market

Since M&As in Japan were not common until the late 1990s, in the academic literature exists few studies on Japanese M&A value creation effects compared to other geographical markets such as US or UK. When considering the relative size and importance of Japanese economy in the global context, more comprehensive view of short-term M&A value creation effects is needed. This thesis aims to provide updated research information on short-term value creation effects resulting for acquiring Japanese companies from cross-border acquisition announcements during selected observation period of 2010-2015.

After Japanese government, in the late 1990s, amended and introduced a number of M&A laws in order to promote M&A activity as a means of restructuring Japanese industries that faced excess capacity and severe competition in the domestic market, the number of M&A transactions started to rise significantly. Amendment of Commercial Law in 1999, the New Corporate Law of 2006, and the Financial Instruments and Exchange Law of 2007 were legal amendments to reduce the transaction costs of M&A deals (Inoue, 2013).

Moreover, the government policies have faced recent changes after Japan's Liberal Democratic Party won a landslide victory in elections for the lower house of Japan's parliament on December, 2012. Since then, the LDP government headed by Mr. Shinzo Abe has adopted some strong measures to improve the slugging economy (Metwalli&Tang, 2013). As some examples to be mentioned from 2013, the government approved an emergency stimulus package of $116 billion with the aim to kick-start the ailing economy. This $116 billion package is meant to be spent on public works and disaster mitigation projects, subsides for companies investing in new technology, and financial aid to small businesses. The key objectives of the current government are to raise real economic growth by 2% and to create 600,000 new jobs (Metwalli&Tang, 2013).

Due to massive government policy changes, there can be observed several important trends of Japanese M&A activity during the recent years. The most important trend has been the significant increase in both cross-border M&A value and volume in 2011 and 2012 (Metwalli&Tang, 2013). In 2011, the total outbound US dollar value for M&A by Japanese companies was around $68 billion (Thomson Reuter's). According to Thomson Reuter's statistics, this represented an 81% increase over the value

of outbound M&A transactions recorded in 2010. Again, in 2012 the value of outbound M&A transactions in Japan increased to around $96 billion in representing a 41% further increase to over the record-high outbound M&A transaction value in 2011.

During the last decade, Japanese firms have increased the level of cross-border M&A activity mainly for three main reasons (Metwalli&Tang, 2013):

1) Japanese firms are searching for global acquisitions for growing opportunities. Japanese investors are particularly interested in companies operating industries such as telecommunications, chemicals, business services, pharmaceutical, and biotech.

2) The outlook for the domestic market remains bleak as the population is aging and shrinking; also the harmful deflation for the economy is expected to continue in the upcoming years.

3) The Japanese currency (yen) appreciated by more than 25% from 2009 to late 2012.

In summary, Japanese companies are taking advantage of the strength of the yen to diversify their operations and maintain their global competitiveness. The recent upward trend of increased cross-border M&A activity in Japan during 2010s provides an interesting base for the purposes of this study. It is in great interest to study whether this increased outbound M&A pace in Japan both in terms of value and volume has had any impact on the value creation effects for acquiring shareholders.

In addition, several influential financial newspapers have cited Japanese record-high outbound M&A level and its likely resulting effects on the acquiring shareholders' wealth creation.

"In much of the world, news of an acquisition can weigh on a firm's stock price as investors worry that less cash will be available to reward shareholders. But conversely in Japan, companies have tended to hang onto their cash, rather than paying generous dividends, deals that are seen as creating value over the long term often bring a share-price increase as well." (WSJ, 2015). In the current buying spree, investors are showing doubts, especially as the falling yen makes some deals look expensive. Some deals that look overpriced may generate returns after all, while other deals that look relatively cheap might be depreciating shareholders value (WSJ, 2015). However, bankers and lawyers argue that Japanese firms has not overpaid unreasonably for its targets during the recent years, and that its deal making should not be judged in the same way as outbound acquisitions by US or European players (FT, 2015).

Market-seeking motivation provides Japanese acquirer a quick access to already establish external market as well as the control over internal strategic resources. Market-seeking motivation is mainly driven by weak competitiveness in the domestic market or the limitation of effective demand locally (Deng&Yang, 2015). By expanding into new geographic markets, the acquiring company mitigates the constraints associated with domestic market and its existing competitors (Deng&Yang, 2015). Therefore, it is not an unsurprising fact that Japanese companies have dramatically increased the level of cross-border acquisition activity during the past years.

2.3 Previous studies on acquiring shareholders' value creation effects

Traditionally, companies involved in M&A transactions have originated from the same country. While domestic M&A transactions still account for majority of all M&A transactions, increasing amount of M&A transactions are nowadays cross-border transactions in which two companies originates from different countries. Mantecon (2009) states that cross-border transactions

Since value creation effects resulting from M&A transactions can be enormous for different stakeholders even in the short-term time period following the M&A announcement, there has been an extensive amount of academic research on the subject worldwide during the past decades. In general, previous M&A studies focused on studying acquirers' wealth creation effects in short term time period have shown negative or zero short-term returns to the shareholders of acquiring company. However, empirical results concerning wealth effects of acquiring companies' shareholders have been mixed and inconsistent over time.

Andrade, Mitchell, Stanford (2001) conducted a comprehensive study of the combined returns in 3688 takeovers by U.S companies from 1973 to 1998. The authors find that the combined average cumulative abnormal (CAR) over the three-day event window (-1, +1) around the takeover announcement was 1,8%, meaning that takeovers, on average, create shareholder value. They also find that bidders do not post any significant returns, while targets experience significant positive returns. In addition, Andrade et. al (2001) show that the abnormal returns of acquiring firms were negative in the three-year period after M&A announcement.

Doukas and Travlos (1988) observe that US acquirers do not earn any positive abnormal returns on the announcement of cross-border acquisitions. Similarly, Uddin and Boateng (2009) find no significant gains for cross-border acquisitions conducted by UK firms.

Basu and Chevrier (2011) studied 134 Canadian mergers to proxy for the impact of information asymmetry due to distance. They suggest that a larger distance between the acquirer and the target is related to lower abnormal returns for the acquiring company.

Cakici et al. (1996) document in their study that cross-border acquirers (Japanese, British, Australian and Dutch firms) experienced positive and significant abnormal returns for their acquisitions of US target firms. Bhagat et. al. (2011) studied 658 cross-border acquisitions conducted by emerging countries' acquirers between 1991 and 2008. Bhagat et. al. (2011) find in their study that emerging market acquirers' cross-border acquisition announcements created a positive and a significant announcement effect of 1,09% on the announcement day.

Georgen&Renneboog (2004) find in their study that acquiring firms gained larger abnormal returns in their cross-border M&A transactions compared to domestic M&A deals. Measured within a five-day event window around the M&A announcement, the authors documented an average abnormal return of 3% in cross-border transactions while the average abnormal returns of domestic deals were not statistically different from zero.

Moeller and Schlingemann (2004) investigate the difference between the performance of US domestic and cross-border acquisitions completed between 1985 and 1995. According to the results of their study, cross-border deals experience a significantly lower operating performance than domestic deals, even after controlling for variables like size and method of payment.

Rossi and Volpin (2004) examined 45,686 global M&A in the 1990s, and report that the takeover premium of cross-border M&A is higher than premium of domestic M&A. They also report that the premium is higher in countries with higher shareholder protection. In their study, the acquisition premium is defined as the bid price as a percentage of the closing price four weeks before the M&A announcement becomes public.

Generally, cross-border M&A transactions happen for similar reasons as domestic M&A transactions. Two firms will merge when their combination increases value from the perception of acquiring firms'

managers (Erel et. al, 2012). Erel et. al (2012) found that the shorter geographical distance between two countries, increases the likelihood of acquisitions between these two countries. As the sample description in Section 3.1.1 illustrates, great amount of target companies in this study originates from Asia which highlights that eventually, great deal of all cross-border acquisitions announced in Japan are performed between companies that are closely located in a geographical sense. However, as sample description in Section 3.1.1 shows, majority (over 60%) of all cross-border acquisitions announced in Japan are conducted with target company located either in Europe or in North America.

Since majority of M&A short-term value effect studies focuses on results obtained using either US or UK companies as an acquiring country (Cartwright&Schoenberg, 2006), there has been suggestions in the literature that in order to overcome this bias, future studies should cover more geographically diverse samples. Thanos and Papadakis (2012) address in their study that there exists a need for cross-national studies from both developed and emerging economies in order to understand whether the country of origin of acquiring company has any impact on the short-term M&A performance.

In previous Japanese cross-border M&A studies, see e.g. (Kang, 1993) it has been documented that Japanese companies tend to purchase target companies especially from United States. Several factors such as the size, importance and accessibility of the American economy have made US markets attractive to Japanese acquirers (Kish&Vasconcellos, 1993).

In this study, the short-term value creation effects resulting from cross-border acquisition announcements are analyzed in order to find out if the geographical location of the target company has any impact on the resulting abnormal returns for acquiring companies over the different short-term event windows. This analysis reflects and aims to provide answers for the second research question of this thesis.

2.4 Previous M&A value creation studies in Japan

A number of previous academic studies in Japan have studied value effects for shareholders at the time of M&A announcement. Short-term event studies by Pettway and Yamada (1984), Kang, Shivdasani and Yamada (1993), Inoue and Kato (2006), Hanamura, Inoue and Suzuki (2011) have reported that stock prices of acquiring Japanese firms react positively at the time of M&A announcement. In these studies, the average abnormal returns ranged between 1% and 2% within the short-term event study window.

Kang et.al (1993) studied a sample of 119 Japanese bidders and 102 US targets during the period of 1975 to 1988. Kang found significant positive abnormal returns for Japanese acquirers' announcement period when he estimated abnormal returns for both target and acquiring firms. Inoue and Kato (2006) studied short-term abnormal returns at announcement and long-term post-announcement returns of acquiring companies in domestic mergers and acquisitions between 1990 and 2002. They reported that both short-term abnormal returns of acquirers at announcement and the combined effects on market value of acquirers and targets are positive and significant. This result is opposite to findings in previous M&A studies conducted in US and UK markets.

More recently, Ings and Inoue (2012) studied the shareholder wealth effect at announcement in domestic and cross-border cash-based acquisitions involving Japanese acquiring firms over the period from 2000 to 2010. The results of their study reveal that cross-border acquisitions create larger returns for the acquirers' shareholders than domestic deals. One possible explanation for increased level of cross-border acquisitions is that they allow firms to access resources that are not obtainable in domestic transactions, creating a larger short-term wealth effect for the acquiring shareholders (Inoue, 2012).

(Inoue, 2013) studied whether M&As conducted by Japanese companies have positive wealth effects for the acquiring shareholders. Short-term stock price performance was tested at both the time of the initial announcement and the post announcement period for 658 domestic and 73 cross-border acquisitions announced in the time period ranging from 2003 to 2010. The main empirical findings of (Inoue, 2013) were that abnormal returns of the cross-border acquisition announcements by Japanese acquirers are positive and mostly detected short after the time of initial public announcement. In addition, (Inoue 2013) states that positive wealth effects for acquiring shareholders are primarily generated from target firms that operate within the same industry than the acquiring Japanese company. In summary, the previous empirical results of Japanese M&A studies show that cross-border acquisitions increase the shareholder value.

Thus, this thesis contributes to the academic literature by providing updated empirical results on the short-term value creation effects resulting from cross-border acquisitions for Japanese acquiring companies. Since cross-border acquisitions conducted by Japanese firms have continued to increase both in volume and value annually from 2010 reaching all-time record high both in 2011 and 2012, it is in great interest to study whether positive wealth effects for acquiring firms' shareholders detected in previous studies still hold in the context of increased amount of Japanese cross-border acquisitions during the selected observation period from year 2010 to 2015.

3 DATA & METHODOLOGY

In this section of the thesis, selected data sample and methodology is presented.

3.1 Data sample

The initial data sample of this thesis consists of all M&A deal announcements between 1.1.2010-31.12.2015 where acquiring firm originates from Japan. Initial sample includes cross-border M&A announcements totaling for 846 M&A transactions during the selected observation period. In cross-border transactions, target firm originates from other country than Japan and acquiring company originates from Japan. Data for this thesis was collected from Worldwide Mergers and Acquisitions Database of Thomson Reuters Financial Service and SDC Platinum. In addition, Thomson Datastream database was used to retrieve daily stock price data for the purposes of event study.

In total, the initial sample of this study include 846 cross-border deals announced by Japanese acquirers between 2010 and 2015. In order to get empirical results conceivable and consistent, several cleanings for the data is made by using the following criteria:

- Transactions in the financial sector are excluded from the sample because financial industry faces different regulation in different countries.

- Only 100% completed deals are taken into account.

- Only transactions where Datastream code of the acquiring company is available are selected into sample in order to get stock prices for the event study purposes.

- Only transactions in which acquiring company acquires more than 10% of the target company are selected to the final sample.

- Only transactions whose value are more than $1 million are included.

These restrictions derives to final sample consisting of 334 cross-border acquisitions announced by Japanese acquiring companies between years 2010 and 2015. In the following chapter of this thesis, the final data sample is profoundly presented and discussed further.

3.1.1 Sample description

Final data sample of this study includes 334 cross-border acquisitions announced in Japan between years 2010-2015. The following tables 1-3 provide more detailed description on the final data sample of this study.

Table 1. *Sample distribution of Japanese cross-border acquisitions sorted by the announcement year.*

Announce-ment year	Number of Deals	Transaction value ($mil)	Average value per deal ($mil)	Median value per deal ($mil)
2010	36	13291	369,2	108,2
2011	62	27074	436,7	60,7
2012	71	51099	719,7	77,0
2013	51	8705	170,7	38,2
2014	55	7366	133,9	39,2
2015	59	19786	335,4	81,1
Total	334	127321	380,1	59,7

From Table 1, it can be noted that during years 2010-2012, the number of announced cross-border transactions increased in Japan year after year reaching record-high digits both in volume and value in 2012. Total cross-border transaction value almost doubled year after year between 2010 and 2012, decreasing dramatically in 2013 and 2014 but rebounding back to upward trend in 2015. Average value per deal in 2012 was extremely high since then there were few exceptionally large cross-border transactions in Japan.

Table 2. *Sample distribution of Japanese cross-border acquisition announcements during 2010-2015 sorted by the nation of Target Company.*

Country	Number of deals	%-share of all deals
United States	91	27,2
United Kingdom	23	6,9
Singapore	19	5,7
India	18	5,4
China	16	4,8
South Korea	16	4,8
Malaysia	15	4,5
Taiwan	12	3,6
Australia	11	3,3
Germany	10	3,0
Thailand	9	2,7
Switzerland	8	2,4
Brazil	8	2,4
Indonesia	8	2,4
Italy	8	2,4
France	7	2,1
Hong Kong	6	1,8
Turkey	6	1,8
Canada	5	1,5
Belgium	4	1,2
Argentina	3	0,9
South Africa	3	0,9
Vietnam	3	0,9
Spain	3	0,9
Netherlands	3	0,9
Sweden	3	0,9
Denmark	2	0,6
Finland	2	0,6
New Zealand	2	0,6

Cyprus	1	0,3
Philippines	1	0,3
Chile	1	0,3
Sudan	1	0,3
Portugal	1	0,3
Ireland	1	0,3
Austria	1	0,3
Luxembourg	1	0,3
Saudi Arabia	1	0,3
Bangladesh	1	0,3
Norway	1	0,3
Total	334	100,0

Table 2 shows that target company from US was overwhelmingly most often involved in cross-border acquisitions conducted in Japan during 2010 and 2015, representing 27,2% share of all deals announced. Slightly surprising finding of this study is that UK (6,9% of all deals) was the second most popular country from where the target company originates. After US and UK, clearly most common target origination countries were Singapore, India, China and South Korea which are closely located to Japanese acquirers.

Table 3. *Sample distribution of Japanese cross-border acquisitions announced during years 2010-2015 sorted by the geographical region of the target company.*

Region	Number of Deals	%-share of all Deals
Asia	123	36,8
North America	95	28,4
Europe	86	25,7
Oceania	14	4,2
South America	12	3,6
Africa	4	1,2
Total	334	100

Table 3 shows that the largest share (36,8%) of cross-border acquisitions announced in Japan between years 2010 and 2015 includes a target company which originates from Asia. After Asia, North America

(28,4%) is the second most common geographical region from where the target company originates in Japanese cross-border acquisitions during the selected observation period. As table 3 illustrates, also Europe is very popular geographical region from where target company originates since 25,7% of cross-border acquisitions covered in this sample involved target company from Europe. The geographical distribution is line with the findings of (Erel et. al 2012), which state that cross-border acquisitions usually happens between firms of countries that have bilateral trade since countries more likely have stronger synergies and a common cultural background with each other.

In this study, comparison between cumulative abnormal returns resulting from cross-border acquisitions is made in respect to geographical region where target company originates. The main objective of this comparison is to find out evidence to support the second research question introduced in this study which states that abnormal returns might fluctuate with respect to geographical region of the target company. The event study results including cumulative average abnormal returns with respect to target country origination can be found in Section 4.1.1 of this thesis.

3.2 Methodology

In this section of the thesis, selected methodology used in this study is introduced in more detail. Firstly, event study methodology is utilized in order to find out whether cross-border acquisition announcements create any short-term abnormal return for acquiring shareholders of Japanese companies. As a measure of acquiring company return, short-term stock performance around the acquisition announcement date is used in this thesis. With the help of event study methodology, average cumulative abnormal return over the selected short-term event windows are calculated.

Company's stock performance is considered to be quite unbiased parameter compared to other measures of firm value such as accounting data which can easily be manipulated by company's management (Cording et. al, 2008). Secondly, cross-sectional regression analysis is used the find out if there are specific deal factors that could drive the cumulative abnormal returns into some direction. Independent variables used in cross-sectional regression analysis are presented in Section 3.4.1 of this thesis in more detail.

3.2.1 Event study methodology

Event study methodology has been one of the most widely-used method in modern finance research to study the impact of new information on the value of a firm. The modern methodology of event study was introduced first time by Fama et. al (1969) while studying the relationship between stock splits and stock returns.

The main assumption of the EMH (Efficient market hypothesis) is that the stock markets are efficient (Fama, 1969). Efficient stock market means that stock prices immediately react to new market information. Efficient Market Hypothesis can be categorized into three different basic categories which are Weak-form, Semi-Strong form and Strong form market efficiency.

(Inoue, 2013) show in his study that the Japanese stock market evaluates corporate events very efficiently. Therefore, strong form stock market efficiency is reasonable to assume as the basis of this study as well.

According to MacKinlay (1997), the general composition of an event study includes the following steps:

1. Specification of research questions
2. Definition of event window
3. Selection of sample data
4. Expected returns estimation
5. Abnormal returns calculation
6. Test structure design

This study reflects strongly the composition outline presented by (MacKinlay, 1997). In this thesis, research questions are firstly introduced in Section 1.3, event window definition is presented in Section 3.2.2, data sample selection is introduced in Section 3.1.1, estimation of expected stock returns and abnormal returns calculation is presented in Section 3.2.2.

3.2.2 Event window

Event window is the time period around the event day during which the event study analysis is performed. In this thesis, the event day, t=0 is defined as the public announcement date of the cross-border acquisition by Japanese acquiring companies during 2010-2015.

The event period in this study consists of three, five and seven trading days, from one trading day before a cross-border acquisition announcement to one and three trading days after the cross-border acquisition announcement date and three trading days before and three days after the announcement date.

Three different event windows represented in this study are:

- 3-day event window, (-1,+1) days around the acquisition announcement date
- 5-day event window, (-1,+3) days around the acquisition announcement date
- 7-day event window, (-3, +3) days around the acquisition announcement date

The usage of short-term event windows has also received great amount of criticism from researchers mainly for four reasons (Thanos&Papadakis, 2012). Firstly, short-term event windows are ex-ante, not ex-post measures of stock performance. Short-term event windows do not measure actual performance but rather investors' future expectations (Montgomery et. al, 1986). Secondly, short-term event windows measure only short-term financial performance, ignoring other important factors which can influence on the successfulness of the acquisition such as organizational integration or employee reactions (Larsson&Finkelstein, 1999). Thirdly, short-term performance measures can only be assigned for publicly listed acquirers and not for privately owned companies since they do not have necessary stock price available for analysis. Finally, the results of the short-term financial measures could be influenced by the length of the event window, the length of the estimation period before the event window, and the method used to estimate normal returns of the stock (for example market, risk-adjusted or market adjusted model). However, (Warner&Brown, 1980) states that when the events are not clustered in time, the differences between various methodologies are quite small.

With respect to above mentioned criticism, the rationale behind using several event windows in this study is the objective to capture the likely fluctuation of abnormal returns within the different event windows as much as possible. From the results of similar previous studies, see e.g. it can be expected that average cumulative abnormal return is different during certain event windows.

3.2.3 Abnormal returns

In this thesis, abnormal return is defined as the difference between the actual return of the stock and the expected return of the stock.

$$AR_{it} = R_{it} - E(R_{it}) \quad (1)$$

Where,

AR_{it} is the abnormal return of stock i at time t
R_{it} is the actual return of stock i at time t
E (R_{it}) is the expected return of stock i at time t

The actual return of the stock is calculated using the closing prices of two consecutive trading days in the market.

$$R_{it} = (P_{it} - P_{it-1}) / P_{it-1} \quad (2)$$

Where,

R_{it} is the actual return of stock i at time t
P_{it} is the closing price of stock i at time t
P_{it-1} is the closing price of stock i at time t – 1, meaning one trading day before t

In the academic literature, there are several ways to calculate expected return of the stock, such as CAPM (Sharpe, 1964), market adjusted returns model (Brown and Warner, 1980), and market and risk adjusted return model (Black, 1972). However, the most widely used model is the market model introduced by Sharpe (1963).

In this study, the market model is utilized to estimate the expected return of the stock. The market model suggests ordinary least square (OLS) regression of the stock return on the market return during an estimation window outside the event window. With the help of market model, the intercept and the slope can be used to estimate the expected return during the event period.

In this study, the estimation window is defined as 150 trading days prior to the event window. This means in practice that the closing prices of stocks and the market index from trading days -153 to -4 are collected, based on which the stock return and market return are calculated.

The expected return of the stock is estimated with the following equation:

$$E(R_{it}) = \alpha_i + \beta_i R_{mt} \quad (3)$$

Where,

$E(R_{it})$ is the expected return of stock i at time t
βi is the estimator of stock i's risk relative to the market, intercept of the OLS regression
α_i is the estimated slope of the OLS regression
R_{mt} is the return of the market portfolio at time t

In this study, Tokyo Stock Price Index, commonly known as TOPIX 1000, is used as the reference market index. TOPIX 1000 is a free-floated adjusted market capitalization-weighted index that is calculated based on all the domestic common stocks listed on the Tokyo Stock Exchange First section. The rationale behind using TOPIX 100 as a reference index is to profoundly take different size of the acquiring Japanese companies as broadly as possible into account.

The average abnormal return is calculated as:

$$AAR_t = \frac{1}{n}\sum_{i=1}^{n} AR_{it} \quad (4)$$

Where,

AAR_t = The average abnormal return for time t
AR_{it} = The abnormal return for specific company i at time t; and
n = The sample size

Finally, in order to determine the magnitude of abnormal returns over the different event windows of this study, firm specific cumulative abnormal returns (CARs), and cumulative average abnormal returns (CAARs), are defined as:

$$CAR_t = CAR_{t-1} + AR_t \quad (5)$$

Where,

CARt = cumulative abnormal return at time t;
CARt-1= cumulative abnormal return at time t-1;
ARt= abnormal return at time t.

$$CAAR_t = CAAR_{t-1} + AAR_t \quad (6)$$

Where,

$CAAR_t$ = cumulative average abnormal return at time t;
$CAAR_{t-1}$ = cumulative average abnormal return at time t-1;
AAR_t = average abnormal return at time t

3.3 Statistical test

To find out the statistical significance of the average cumulative abnormal returns (CAARs) for each day within the event window, t-test statistics values are calculated with the following formula:

$$t_{AR} = \frac{AAR_t}{\sigma_{AR}/\sqrt{n}} \quad (7)$$

Where: t_{AR} = The t-statistic;

AAR_t = The average abnormal return for time *t*;

σ_{AR} = The standard deviation of abnormal returns at time *t*; and,

Then, the obtained t-statistics values are compared to critical values at the significance levels 10%, 5%, and 1% of the two-tailed test. The average cumulative abnormal return is regarded significant if the t-value is greater than the responding critical value at each of the significance levels.

3.4 Cross-sectional regression analysis

In this chapter of the thesis, variables utilized in cross-sectional regression analysis are represented in more detail. In this study, cross-sectional regression analysis is performed in order to find out if some certain factors influence the abnormal returns resulting from cross-border acquisition announcements to acquiring shareholders.

The cross-sectional regression analysis has been commonly used in previous event studies in order to determine the main determinants of the value creation resulting for acquiring shareholders, see e.g. (Aybar&Ficici, 2009; Gubbi et. al 2010; Moeller&Schlingemann, 2005; Seth et. al, 2002).

However, in addition to several deal specific characteristics, it is possible that some economy wide developments, industry specific developments or other factors beyond management control could have generated part of the value change which could skew the results upwards or downwards.

The following cross-sectional multivariate model is introduced in order to study the impact of various independent variables to the dependent variable, which is the average cumulative abnormal returns over the event window of (-1, +1), (-3, +1), and (-3, +3) around the cross-border acquisition announcement date.

$$CAR_i = \beta_0 + \beta_1 INDUSTREL_i + \beta_2 TGOVER_i + \beta_3 OWNERLEVEL_i + \beta_4\ DEALSIZE_i + \beta_5\ CASHPAYMENT_i + \varepsilon_i \quad (8)$$

3.4.1 Independent variables of the cross sectional regression analysis

Previous academic studies have suggested that deal characteristics such as method of payment (see e.g. Linn and Switzer, 2001 and Martynova et. al, 2008), industry relatedness, geographic diversification, acquirer's cash reserves, target's size and percentage of target acquired all may impact the M&A value creation resulting for acquiring shareholders.

Method of payment is an important determinant of the short-term post-acquisition performance: cash offers are usually associated with stronger improvements than deals involving other forms of payment (Linn and Switzer, 2001; Moeller and Schlingemann, 2005).

For the purposes of this study, the following independent variables are represented in order to explain the cross-sectional variation in average cumulative abnormal returns calculated over the different short-term event windows of (-1, +1), (-3, +1), and (-3, +3) around the cross-border acquisition announcement date.

INDUSTREL: Industry relatedness measures whether acquiring company and target company are operating within similar industry. Singh and Montgomery (1987) states that the abnormal return of acquiring company is positively affected when target operates in the same industry than acquirer. In this study, the industry relatedness is measured by 4-digit SIC code which is retrieved from SDC Platinum for both the foreign target and the acquiring Japanese company. This dummy takes value 1 if target company operates in same industry than acquiring company, and 0 otherwise.

TGOVER: Target Government ownership describes possible government ownership involvement of the target company, this dummy takes value 1 if there is government ownership, and 0 otherwise.

OWNERLEVEL: The level of ownership indicates the percentage owned by the acquirer after the cross-border transaction, takes value 1 if more than 50% of the target is transferred to acquirer, and value 0 otherwise

DEALSIZE: Deal size announced in $mil, takes value 1 if announced transaction value is more than $50 million, and takes value 0 otherwise.

CASHPAYMENT: Measures the cash payment occurrence of the deal, takes value 1 if the cross-border transaction is solely financed with cash, takes value 0 otherwise.

4 RESULTS

This section of the thesis presents key findings of the empirical results and discusses the validity of these obtained results. Firstly, event study results are presented and after that results from cross-sectional analysis are presented.

4.1 Overview of empirical results

The empirical results of this thesis indicates that, on average, cross-border M&A transactions conducted by Japanese firms do not create value for acquiring shareholders in the short-term event window around the M&A announcement date. This result is contradictory to previous studies performed in Japan, see. e.g Pettway and Yamada (1984), Kang, Shivdasani and Yamada (1993), Inoue and Kato (2006), Hanamura, Inoue and Suzuki (2011) and Inoue 2012, which all reported that stock prices of acquiring Japanese firms react positively at the time of M&A announcement. In these studies, the average abnormal returns range between 1% and 2% within the specified short-term event window around the acquisition announcement date.

In this study, average cumulative abnormal return resulting from cross-border acquisitions for Japanese acquiring companies over the 3-day event window of (-1, +1) around the acquisition announcement date was -0,44%. This empirical result obtained is not statistically significant at any confidence level. When studied at longer 5-day (-3, +1) and 7-day event windows of (-3, +3), Japanese acquirers experience, on average, cumulative abnormal returns

Cumulative average abnormal returns over different short-term event windows were also studied with respect to the announcement year of the cross-border acquisition. This was mainly done in order to eliminate economy-wide factors which could have increased the level of cross-border acquisition activity in some particular year within the observation period of this study.

One reason for contradictory results regarding the cumulative average abnormal returns presented in this study could be that during the past years, Japanese companies have been more forced to engage in less value creating cross-border acquisitions than ever before in order to receive any growth for their businesses since domestic market in Japan has been shrinking due to Japan's declining population and harmful continuing deflation of the economy.

4.1.1 Event study results

Table 4 represents the daily abnormal returns of full sample N=334, from day -3 to day +3 around the cross-border acquisition announcement date of Japanese acquiring companies. Abnormal returns are presented in percentages. St.dev. is the standard deviation of daily normal abnormal returns.

Table 4. *Daily abnormal returns, full sample N =334.*

Day	Max AR	Min AR	Mean	Median	Std.dev	t-statistics
-3	9,62%	-8,14%	-0,050%	0,103 %	2,30%	-0,400
-2	10,16%	-18,37%	-0,201%	-0,090%	2,62%	-1,404
-1	6,70%	-8,79%	-0,013%	-0,015%	2,04%	-0,117
0	14,77%	-8,76%	0,081%	-0,020%	2,07%	0,716
+1	24,79%	-20,25%	-0,305%	-0,025%	3,63%	-1,541
+2	14,43%	-8,97%	-0,066%	-0,082%	1,98%	-0,611
+3	11,46%	-9,85%	0,112%	0	1,90%	1,084

Table 4 shows that highest and lowest daily abnormal return values (+24,79% and -20,25%) respectively, are detected on the following day (+1) after the announcement of cross-border acquisition. Japanese acquirers experience, on average, slightly positive daily abnormal return of 0,081% on the announcement day of the cross-border acquisition. However, when measuring the resulting abnormal return on the following day (+1) after the cross-border acquisition announcement, on average, Japanese acquirers experience slightly negative average daily abnormal return of -0,305%. It is worthwhile to notice that in addition to announcement date (day 0), on average, acquirers experience positive average daily abnormal returns of 0,112% on day +3, which is three days after the cross-border acquisition announcement. In all other days within the event window of this study, Japanese acquirers, on average, experience slightly negative average daily abnormal returns. None of the obtained daily abnormal returns are statistically significant at any confidence level.

In summary, average daily abnormal returns show that Japanese acquirers, on average, do not create positive short-term value for their shareholders by taking part in cross-border acquisitions. However, in order to make assumptions on the short-term profitability of Japanese cross-border acquisitions more

profoundly, average cumulative abnormal returns need to be calculated over the different event windows introduced in this study.

In table 5, Cumulative average abnormal returns of Japanese acquirers within different event windows are calculated on the basis of daily abnormal return calculation. In order to test hypotheses of this study, cumulative abnormal return analysis is performed with several different data panels, which are represented more detail in Table 5. In total, seven different data panels are introduced for the analysis of cumulative average abnormal returns formation:

- Panel A (Table 5) describes the full data sample, containing 334 cross-border acquisition announcements by Japanese acquiring companies.

- Panel B (Table 6) segregate the full sample into three subcategories using the geographical region of the target company as the category.

- Panel C (Table 7) divides the sample into publicly owned and privately owned target companies

- Panel D (Table 8) divides the full sample into horizontal and vertical transactions measured by the 4-digit SIC code of both the target and acquiring company

- Panel E (Table 9) separates the full sample of transactions into large and small deals measured by the publicly announced value of the transaction

- Panel F (Table 10) specifies whether the majority or minority of foreign target company ownership is transferred to the acquiring Japanese company

- Panel G (Table 11) divides the full sample into transactions which are purely financed with cash payment, and transactions which are at least partly financed with stock payment or other mode of payment

In addition to seven different data panels presented is this study, cumulative average abnormal returns are studied with respect to the announcement year of the cross-border transaction. This is mainly done in order to find out if there exist some specific year related factors such as changes in overall economic activity which could in general influence on the resulting average cumulative abnormal returns.

Table 5 represents the cumulative average abnormal returns (CAARs) of full data sample within three different event windows represented in this study.

Table 5. *Cumulative average abnormal returns, full sample N=334*

Event window	Mean	Median	Std.dev	t-statistics
CAR (-3, +3)	-0,24%	-0,21%	4,40%	-0,986
CAR (-3, +1)	-0,49%	0,25%	5,38%	-1,662
CAR (-1, +1)	-0,44%	-0,20%	5,29%	-1,527

For the full sample of 334 cross-border acquisition announcements (Panel A), the highest average cumulative abnormal return, -0,24%, is detected during the 7-day event window of (-3, +3) around the cross-border acquisition announcement date. During the other event windows of (-3, +1) and (-1, +1), the average cumulative abnormal return is slightly negative, reaching values of -0,49% and -0,44% respectively. However, none of these results are statistically significant at any confidence level measured with t-statistics test.

In Table 6, three subcategories are formed on the basis of most frequent geographical region of the target company. The highest average cumulative abnormal return of 0,74%, is observed within the 3-day event window of (-1, +1) when the target company originates from Europe. When the target company originates from North America or Asia, on average, the cumulative abnormal return is negative during the 3-day event window, yielding to -0,39% and -0,91% respectively. The results of 3-day event windows from subcategories of Europe and Asia are statistically significant at the 90% confidence level, while the result obtained from North America subcategory is not statistically significant at any confidence level. It is surprising result to notice that geographically most distant region Europe, provides largest cumulative average abnormal returns for Japanese acquirers. This statistically significant result is contradictory to results from studies by xxxx and xxxxx. The obtained contradictory result supports research question 3 of this thesis which states that average cumulative abnormal returns differ with respect to target company geographical region.

Table 6. *Cumulative average abnormal returns (CAARs) with respect to three most common geographical location of the target company.*

Panel B (1). Target originates from Asia, N=124	Mean	Median	St.dev	t-statistics
CAR (-3, +3)	-0,36%	-0,26%	5,92%	-0,667
CAR (-3, +1)	-0,89%	0,50%	6,52%	-1,509

CAR (-1, +1)	-0,91%	-0,19%	5,44%	-1,867*
Panel B (2). Target originates from US, N= 95				
CAR (-3, +3)	-0,94%	-0,81 %	5,26%	-1,742*
CAR (-3, +1)	-0,72%	-0,19 %	4,84%	-1,445
CAR (-1, +1)	-0,39%	-0,54 %	3,41%	-1,114
Panel B (3). Target originates from Europe, N= 86				
CAR (-3, +3)	-0,19 %	0,26%	4,33%	-0,408
CAR (-3, +1)	0,23 %	0,19%	4,47%	0,485
CAR (-1, +1)	0,74 %	0,26%	4,03%	1,694

In Table 7, cumulative average abnormal returns are studied by separating full sample deals into two subgroups on the basis of target company ownership structure. The results shows that during the event window of (-1, +1), on average, Japanese acquirers experience slightly positive cumulative abnormal return of 0,10% when the target company is publicly owned. In contrast, when the target company is privately owned, on average, Japanese acquirers' experience negative cumulative abnormal return of -0,29% during the 3-day event window. Neither of these figures are statistically significant on any confidence levels. However, when measured during 7-day event window of (-3, +3), both privately and publicly owned target companies produce negative average cumulative abnormal returns of -0,51% and -0,07% respectively for the acquiring Japanese companies. The result obtained in the case of privately owned target companies is statistically significant at the 90% confidence level, while result for publicly owned target companies' is statistically insignificant at all confidence levels. The obtained empirical result within event window of (-1, +1) is contradictory to findings of (Fuller et. al, 2012) who documented that acquiring shareholders receive larger cumulative abnormal returns when purchasing a private company while purchasing publicly owned target company produce negative cumulative average abnormal return.

Table 7. *Cumulative average abnormal returns with respect to the ownership structure of the target company.*

Panel C (1). Target is a publicly listed company, N=47	Mean	Median	St.dev	t-statistics
CAR (-3, +3)	-0,07%	-0,49%	4,93%	-0,091

CAR (-3, +1)	-0,43%	-0,25%	4,84%	-0,609
CAR (-1, +1)	0,10%	-0,31%	3,30%	0,214
Panel C (2). Target is a private company, N=287				
CAR (-3, +3)	-0,51%	-0,20%	5,35%	-1,603
CAR (-3, +1)	-0,50%	0,49%	5,46%	-1,553
CAR (-1, +1)	-0,29%	-0,06%	4,56%	-1,090

In Table 8, cumulative average abnormal returns resulting from horizontal and vertical acquisitions are studied further. Cross-border transactions are divided into these two subcategories on the basis of 4-digit SIC industry code obtained from SDC Platinum. Surprisingly, horizontal acquisitions experience, on average, negative cumulative abnormal return over 3-day event window of -1,02% while vertical acquisitions of the sample yielded slightly positive cumulative abnormal return of 0,05% over the same 3-day event window of (-1, +1). However, when measured over the longer 7-day event window of (-3, +3), both vertical and horizontal acquisitions conducted by Japanese acquirers provided negative average cumulative abnormal returns of -0,41% and -0,55% respectively. Regrettably, none of these observed abnormal returns were statistically significant at any confidence level.

Table 8. *Cumulative average abnormal returns (CAARs) with respect to 4-digit SIC industry code of target and acquiring company involved in cross-border acquisition.*

Panel D (1). Horizontal acquisition measured by 4-digit SIC code, N=90	Mean	Median	St.dev	t-statistics
CAR (-3, +3)	-0,55%	-0,09%	0,0629	-0,825
CAR (-3, +1)	-0,99%	0,02%	0,0728	-1,290
CAR (-1, +1)	-1,02%	-0,05%	0,0633	-1,531
Panel D (2). Vertical acquisition measured by 4-digit SIC code, N=244				
CAR (-3, +3)	-0,41%	-0,32%	0,0488	-1,302
CAR (-3, +1)	-0,31%	0,30%	0,0446	-1,073
CAR (-1, +1)	0,05%	-0,24%	0,0339	0,238

The obtained result which states that vertical acquisitions are more profitable for acquiring companies than horizontal acquisitions is contradictory to results presented by (Inoue and Kato, 2006) who find that horizontal acquisitions provided greater abnormal returns for acquiring companies than vertical acquisitions. In addition, (Inoue and Kato, 2006) argue that positive and significant abnormal returns are only observed in horizontal M&A subsamples. In addition, (Morck et. al, 1990) and Moeller et. al (2004) have documented that acquiring companies receive lower abnormal returns from diversifying acquisitions than from horizontal acquisitions.

In Table 9, cumulative average abnormal returns are studied by separating the full sample into two categories on the basis of the cross-border transaction value announced. Separation into large deals and small deals is performed with respect to limit of $50 million in announced cross-border transaction value. Measured over the 3-day event window of (-1, +1), large deals provided, on average, slightly positive cumulative average abnormal return of 0,11%, while small deals yielded, on average, slightly negative cumulative average abnormal return of -0,62%. The obtained result within 3-day event window is in line with findings of Bhagat (2011) which document a positive relation between acquirer cumulative abnormal return and relative size of the cross-border acquisition. However, when measured over the longer 7-day event period of (-3, +3), both large and small deal size subsamples experience, on average, negative average abnormal return of -0,52% and -0,36% respectively. Regrettably, none of the obtained abnormal returns were statistically significant at any confidence level.

Table 9. *Cumulative abnormal returns with respect to transaction value of the cross-border acquisition.*

Panel E (1). Large deal size, N = 175	Mean	Median	St.dev	t-statistics
CAR (-3, +3)	-0,52%	-0,14%	0,0523	-1,316
CAR (-3, +1)	-0,48%	0,07%	0,0523	-1,226
CAR (-1, +1)	0,11%	0,00%	0,0386	0,362
Panel E (2). Small deal size, N= 159	Mean	Median	St.dev	t-statistics
CAR (-3, +3)	-0,36%	-0,35%	0,0537	-0,848
CAR (-3, +1)	-0,50%	0,49%	0,0554	-1,133
CAR (-1, +1)	-0,62%	-0,35%	0,0491	-1,581

In Table 10, the full data sample is divided into two subsamples on the basis of target company's ownership percentage after the cross-border acquisition is conducted. Surprisingly, deals where majority of the target company ownership (N=314) was transferred to acquiring Japanese company in cross-border transaction, experienced on average, negative cumulative abnormal returns within all event windows of (-1, +1), (-3, +1), and (-3, +3), yielding -0,29%, -0,56% and -0,49% respectively. The results obtained from event windows of (-1, +1) and (-3, +1) were both statistically significant at the 90% confidence level. In contrast, deals where only minority ownership of the target company were transferred to acquiring company, experienced positive cumulative abnormal returns, on average, yielding 0,59%, 0,57% and 0,29% over all event windows of (-1, +1), (-3, +1), and (-3, +3) respectively. However, none of these obtained abnormal returns were significant at any confidence level.

Table 10. *Cumulative average abnormal returns with respect to target company's ownership percentage transferred to acquirer in cross-border transaction.*

Panel F (1). Majority owned after transaction, N= 314	Mean	Median	St.dev	t-statistics
CAR (-3, +3)	-0,49%	-0,23%	5,27%	-1,650
CAR (-3, +1)	-0,56%	0,19%	5,40%	-1,831*
CAR (-1, +1)	-0,29%	-0,21%	4,48%	-1,148
Panel F (2). Minority owned after transaction, N =20	Mean	Median	St.dev	t-statistics
CAR (-3, +3)	0,29%	-0,30%	0,0555	0,236
CAR (-3, +1)	0,57%	0,82%	0,0485	0,523
CAR (-1, +1)	0,59%	0,40%	0,0276	0,960

In Table 11, the full sample is divided into acquisitions which were purely financed with cash payment and acquisitions which was at least partly financed with stock or other mode of payment. Payment method was available for 214 deals, of which 175 were purely cash-financed and 39 were financed with stock or other payment method. Surprisingly, purely cash financed acquisitions provided, on average, negative cumulative abnormal returns of -0,48%, -1,00% and -1,22% over the event windows of (-1, +1), (-3, +1) and (-3, +3) respectively. The obtained result is contradictory to findings by Georgen&Renneboog (2004) which state that cash-financed acquisitions result in higher cumulative

average abnormal returns for acquiring shareholders than acquisitions financed with stock payment or other method of payment.

Table 11. *Cumulative average abnormal returns with respect to payment method used in cross-border transactions.*

Panel G (1). Transaction is solely financed with cash, N= 175	Mean	Median	St.dev	t-statistics
CAR (-3, +3)	-1,22%	-0,76%	0,0560	-2,814***
CAR (-3, +1)	-1,00%	-0,17%	0,0629	-2,043**
CAR (-1, +1)	-0,48%	-0,30%	0,0547	-1,124
Panel G (2). Transaction is partly financed with stock or other payment method, N= 39	Mean	Median	St.dev	t-statistics
CAR (-3, +3)	0,33%	0,48%	0,0484	0,884
CAR (-3, +1)	0,01%	0,62%	0,0421	0,042
CAR (-1, +1)	0,00%	-0,06%	0,0295	0,004

In tables 12-14, cross-border acquisitions are sorted by the year of announcement during the selected observation period of 2010-2015. This separation was mainly done in order to eliminate some possible economy-wide factors which could have influenced on the resulting cumulative average abnormal return from cross-border acquisitions in some particular year within the observation period of this study.

Table 12. *Cross-border acquisitions sorted by the year of announcement, event window (-3, +3). *Cumulative average abnormal return is significant at the 90% confidence level (2-tailed). **Cumulative average abnormal return is significant at the 95% confidence level (2-tailed). ***Cumulative average abnormal return is significant at the 99% confidence level (2-tailed).*

Year	N	Mean	Median	St.dev	t-statistics
2010	36	-0,44%	-0,96%	4,58%	-0,572
2011	63	1,08%	0,76%	4,73%	1,814*
2012	70	0,06%	0,32%	5,19%	0,098
2013	51	-0,19%	0,11%	5,21%	-0,256

2014	55	-2,48%	-1,16%	6,30%	-2,924***
2015	59	-1,00%	-0,39%	4,75%	-1,616

Table 13. *Cross-border acquisitions sorted by the year of announcement, event window (-3, +1). *Cumulative average abnormal return is significant at the 90% confidence level (2-tailed). **Cumulative average abnormal return is significant at the 95% confidence level (2-tailed). ***Cumulative average abnormal return is significant at the 99% cofidence level (2-tailed).*

Year	N	Mean	Median	St.dev	t-statistics
2010	36	-0,26%	0,55%	4,48%	-0,342
2011	63	1,02%	0,52%	4,44%	1,823*
2012	70	0,26%	0,50%	5,05%	0,425
2013	51	-0,14%	0,49%	4,56%	-0,226
2014	55	-2,93%	-0,51%	7,69%	-2,825***
2015	59	-1,15%	-0,27%	4,20%	-2,101**

Table 14. *Cross-border acquisitions sorted by the year of announcement, event window (-1, +1). *Cumulative abnormal return is significant at the 10% level (2-tailed). **Cumulative abnormal return is significant at the 5% level (2-tailed). ***Cumulative abnormal return is significant at the 1% level (2-tailed).*

Year	N	Mean	Median	St.dev	t-statistics
2010	36	-0,15%	-0,41%	2,55%	-0,362
2011	63	0,97%	0,59%	2,95%	2,620**
2012	70	0,26%	-0,34%	3,89%	0,565
2013	51	-0,68%	-0,53%	2,93%	-1,661
2014	55	-1,74%	-0,26%	7,99%	-1,612
2015	59	-0,39%	0,05%	2,73%	-1,107

From tables 12-14 we can draw a conclusion that year 2014 was exceptionally bad for Japanese acquiring shareholders in terms of cross-border acquisition profitability. Cumulative abnormal returns over different event windows of (-3, +3), (-3, +1) and (-1, +1) were all negative, yielding -2,48%, -2,93% and -1,74% on average respectively. The obtained result is statistically significant at 99% confidence level in the terms of 7-day and 5-day event windows around the cross-border acquisition an-

nouncement date. In contrary, year 2011 seems to have been the single most profitable year for Japanese acquirers in terms of short-term profitability. Cumulative average abnormal return over different event windows of (-3, +3), (-3, +1) and (-1, +1) were all positive, yielding 1,08%, 1,02% and 0,97% on average respectively. The obtained positive cumulative average abnormal return is statistically significant at 90% confidence level in terms of 7-day and 5-day event windows and statistically significant at 95% confidence level in terms of shortest 3-day event window of this study.

In summary, the results of event study indicates that announcement of cross-border acquisitions decrease the wealth of acquiring Japanese companies in the short-term period after the cross-border acquisition is publicly announced to the market when measured the full sample. In order to draw any conclusions of the determinants influencing average cumulative abnormal return formation, cross-sectional regression analysis needs to be performed.

4.1.2 Cross-sectional analysis results

The results from cross-sectional regression analysis are presented in three parts. Firstly, descriptive statistics of the dummy variables used in the regression analysis is introduced. Secondly, the results from various regressions including all event windows of this study is presented. Thirdly, the correlations between dependent and independent variables are studied in more detail.

Table 15 illustrates the descriptive statistics of different dummy variables used in the cross-sectional analysis. From table 7, we can observe that majority of cross-border transactions in Japan are done vertically (73% of all deals in the sample), implying that the acquiring Japanese and the foreign target company operate in different industry sector measured by the 4-digit SIC code. This is a surprising finding when taking into account the empirical results by (Inoue, 2006) which indicate that horizontal acquisitions are more profitable than vertical acquisitions. In almost every deal (94%), majority ownership share of the target is transferred for the acquiring company. This result is in line with the findings of (Gubbi et. al 2010) which states that the access to strategically important assets of the target company is extremely essential in cross-border transactions and only majority ownership transfer can guarantee such access for the acquiring company.

Table 15. *Descriptive statistics of the dummy variables used in cross-sectional analysis.*

Variable	N	Min	Max	Mean	St.dev
INDUSTRYREL	335	0	1	0,27	0,444
TGOVER	335	0	1	0,14	0,349
OWNERLEV	335	0	1	0,94	0,237
DEALSIZE	335	0	1	0,53	0,500
CASHPAY	335	0	1	0,50	0,500

In each of the three regression models, the average cumulative abnormal return is the dependent variable over different event windows of (-1, +1), (-3, +1), (-3, +3) introduced in this study. Independent variables of the cross-sectional regression are more profoundly presented in Section 3.4.1 of this thesis.

Table 16. *Results from cross-sectional regression over event window of (-1, +1) around the cross-border acquisition announcement date.*

CAR11	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
DummySICCode	-.0102606	.0055152	-1.86	0.064	-.0211104	.0005892
DummyDealSize	.0070784	.0049425	1.43	0.153	-.0026447	.0168016
DummyOwneda~n	-.0076449	.0102474	-0.75	0.456	-.0278041	.0125144
DummyCash	-.0046036	.0048609	-0.95	0.344	-.0141662	.004959
TargetStatus	.0029449	.0071422	0.41	0.680	-.0111055	.0169954
_cons	.0056028	.0102961	0.54	0.587	-.0146523	.0258578

Table 17. *Correlation between variables, dependent variable is CAAR (-1, +1).*

	CAR11	DummyS~e	DummyD~e	DummyO~n	DummyC~h	Target~s
CAR11	1.0000					
DummySICCode	-0.1065	1.0000				
DummyDealS~e	0.0806	-0.0034	1.0000			
DummyOwned~n	-0.0480	0.0942	0.0635	1.0000		
DummyCash	-0.0508	0.0290	0.0332	0.0245	1.0000	
TargetStatus	0.0275	0.0700	0.1952	-0.0427	0.1133	1.0000

Table 18. *Results from cross-sectional regression over event window of (-3, +1) around the cross-border acquisition announcement date.*

CAR31	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
DummySICCode	-.0060847	.0068052	-0.89	0.372	-.0194721	.0073027
DummyDealSize	.0002241	.0060985	0.04	0.971	-.0117732	.0122214
DummyOwneda~n	-.0102335	.0126442	-0.81	0.419	-.0351077	.0146408
DummyCash	-.0090668	.0059978	-1.51	0.132	-.0208659	.0027324
TargetStatus	-.0001184	.0088127	-0.01	0.989	-.0174552	.0172183
_cons	.0102907	.0127043	0.81	0.419	-.0147018	.0352832

Table 19. *Correlation between variables, dependent variable is CAAR (-3, +1)*

	CAR31	DummyS~e	DummyD~e	DummyO~n	DummyC~h	Target~s
CAR31	1.0000					
DummySICCode	-0.0562	1.0000				
DummyDealS~e	-0.0035	-0.0034	1.0000			
DummyOwned~n	-0.0514	0.0942	0.0635	1.0000		
DummyCash	-0.0862	0.0290	0.0332	0.0245	1.0000	
TargetStatus	-0.0114	0.0700	0.1952	-0.0427	0.1133	1.0000

Table 20. *Results from cross-sectional regression over event window of (-3, +3) around the cross-border acquisition announcement date.*

CAR33	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
DummySICCode	-.0008532	.0066603	-0.13	0.898	-.0139555	.0122492
DummyDealSize	-.0020261	.0059687	-0.34	0.734	-.013768	.0097157
DummyOwneda~n	-.0067444	.012375	-0.55	0.586	-.031089	.0176002
DummyCash	-.0150762	.0058701	-2.57	0.011	-.0266242	-.0035283
TargetStatus	.0051277	.0086251	0.59	0.553	-.0118399	.0220952
_cons	.0095776	.0124338	0.77	0.442	-.0148827	.034038

Table 21. *Correlation between variables, dependent variable is CAAR (-3, +3)*

	CAR33	DummyS~e	DummyD~e	DummyO~n	DummyC~h	Target~s
CAR33	1.0000					
DummySICCode	-0.0116	1.0000				
DummyDealS~e	-0.0190	-0.0034	1.0000			
DummyOwned~n	-0.0368	0.0942	0.0635	1.0000		
DummyCash	-0.1393	0.0290	0.0332	0.0245	1.0000	
TargetStatus	0.0146	0.0700	0.1952	-0.0427	0.1133	1.0000

Tables 16-21 presents the results from cross-sectional regression analysis and correlations between variables when dependent variable is the cumulative average abnormal return with respect to event windows of (-1, +1), (-3, +1) and (-3, +3) introduced in this study.

In summary, the results of cross-sectional regression analysis indicates that five independent dummy variables introduced in this study contributes very little to the resulting average cumulative abnormal return for acquiring Japanese shareholders. In addition, only the cash payment dummy within 7-day event window and 4-digit SIC code dummy within 3-day event window were statistically significant at 90% confidence level. The obtained results implies that the cross-sectional regression model introduced in this study do not adequately explain the average cumulative abnormal return variation over different event windows studied.

As a further research suggestion, a more sophisticated regression model would be needed in order to explain the average cumulative abnormal return variation. At least, more independent variables should be introduced in order to improve the determination rate of the independent variables included in the model. In addition, longer event windows around acquisition announcement date could be introduced since large average cumulative abnormal return variation was detected with respect to various event windows used in this study.

5 CONCLUSIONS

During 2010s, Japanese companies have remarkably increased the level of cross-border acquisitions conducted annually. The reason for this upward trend lies in the slugging domestic market which suffers from declining population and harmful deflation of the economy. In order to secure the continuity of their business activities and growth prospects, Japanese companies are more likely forced to engage in less value creating cross-border acquisitions.

Event study results of this thesis indicates that Japanese acquirers, on average, experience negative cumulative abnormal return measured over different event windows of 3-day, 5-day and 7-day around the cross-border acquisition announcement date. Average cumulative abnormal returns over different event windows were -0,49%, -0,44% and -0,24% respectively. Regrettably, none of the obtained abnormal returns were statistically significant at any confidence level.

Cumulative average abnormal returns resulting for acquiring shareholders were also examined in respect to the geographical region of the target company involved in cross-border acquisition. Three most common geographical regions from where target company originates were Asia, North America and Europe. The results indicate that cross-border acquisitions targeted in Europe produced positive average cumulative abnormal returns measured within 3-day and 5-day event window around the cross-border acquisition announcement date. Average cumulative abnormal returns were 0,74% and 0,23% respectively. However, neither of these positive average cumulative abnormal returns were statistically significant at any confidence level. Surprisingly, cross-border acquisitions targeted in Asia were least profitable for acquiring Japanese shareholders in terms of average cumulative abnormal returns. Measured over event windows of 3-day, 5-day and 7-day around the cross-border acquisition announcement date, on average Japanese acquiring shareholders experience negative average cumulative abnormal return of -0,91%, -0,89% and -0,36% respectively when targeting the cross-border acquisitions into Asian target companies.

When cross-border acquisitions were studied with respect to the announcement year of the cross-border transaction, it was detected that year 2011 was on average the most profitable year for acquiring companies' shareholders in Japan. In year 2011, Japanese acquiring shareholders experience around 1% average cumulative abnormal return measured within different event windows introduced in this study. Contrary, year 2014 was statistically the worst year to conduct cross-border acquisitions since Japanese

acquirers experience negative average cumulative abnormal return between -2% and -3% measured within different short-term event windows.

6 REFERENCES

Andrade, Mitchell&Stanford (2001), New Evidence and Perspectives on Mergers, Journal of Economic Perspectives, Vol. 15, No. 2, 103-120.

Arikawa, Y.,Miyajima., H., (2007), Understanding the M&A boom in Japan: What drives Japanese M&A, REITI Discussion Paper Series, 07-E-042.

Aw, M. & Chatterjee, R., (2004), The performance of UK firms acquiring large cross-border and domestic takeover targets, Applied Financial Economics, volume 14, issue 5, pp. 337-349.

Aybar, B., & Ficici, A., Cross-border Acquisitions and Firm Value: An Analysis of Emerging-market Multinationals, Journal of International Business Studies, October 2009, Volume 40, Issue 8, pp 1317–1338.

Basu, N. & Chevrier, M. (2011), Distance, information symmetry, and mergers: Evidence from Canadian firms, Managerial Finace, Vol. 37, issue 1, pp. 21-33.

Bhagat, S., Malhotra, S., & Zhu, P. C. (2011). Emerging country cross-border acquisitions: Characteristics, acquirer returns and cross-sectional determinants. Emerging Markets Review, 12(3), 250–271.

Bebenroth, R (2013), Post-acquisition performance of Japanese firms: domestic vs. cross-border equity stake purchases, J Knowl Glob 6(1): 1-22.

Cakici, N., Hessel, C., Tandon, K. (1996), Foreign acquisitions in the United States: Effect on shareholder wealth of foreign acquiring firms, Journal of Banking&Finance, volume 20, issue 2, pp. 307-329.

Cording, M., Christman, P. and King, D.R. (2008), Reducing causal ambiguity in acquisition integration: intermediate goals as mediators of integration decisions and acquisition performance, Academy of Management Journal, Vol. 51 No. 4, pp. 744-767.

Deng, P. & Yang, M. (2015), Cross-border mergers and acquisitions by emerging market firms: A comparative investigation, International Business Review, volume 24, pp. 157-172.

Doukas, J. & Travlos, N. (1988), The effect of Corporate Multinationalism on shareholder's wealth: Evidence from International Acquisitions, Journal of Finance, volume 43, issue 5, pp. 1161-1175.

Erel et. al, (2012), Determinants of Cross-Border Mergers and Acquisitions, The Journal of Finance, Vol. 67, Issue 3, June 2012

Fuller, K., Netter, J. and Stegemoller, M., 2002. What do returns to acquiring firms tell us? Evidence from firms that make many acquisitions. The Journal of Finance, 57(4), pp.1763- 1793.

Goergen, M. and L. Renneboog (2004), Shareholder wealth effects of European domestic and cross-border takeover bids, European Financial Management Journal 10(1), 9-45.

Gubbi, S. et al (2010). Do international acquisitions by emerging-economy firms create shareholder value? The case of Indian Firms, Journal of International Business Studies, Vol. 41, 2010, pp. 397-418.

Ings, R. and K. Inoue (2012), Do cross-border acquisitions create more shareholder value than domestic deals in a mature economy? The Japanese case, SSRN working paper.

Inoue (2013): Are Japanese Acquisitions Efficient Investments?, RIETI Discussion Paper Series 13-E-085.

Jensen, M. C., 1986. Agency cost of free cash flow, corporate finance, and takeovers. Corporate Finance, and Takeovers. American Economic Review, 76(2).

Kang, J. (1993), "The international market for corporate control," Journal of Financial Economics 34, 345-371.

Kogut, B. & Zander, U. (1993), Knowledge of the Firm and the Evolutionary Theory of the Multinational Corporation, Journal of International Studies, Vol. 24, issue 4, pp.625-645.

Linn, S.&Switzer, J. (2001), Are cash acquisitions associated with better postcombination operating performance than stock acquisitions?, Journal of Banking & Finance, Vol. 25, issue 6, pp. 1113-1138.

MacKinlay, A. C., 1997. Event studies in economics and finance. Journal of economic literature, 35(1), 13-39.

Mantecon, T., 2009. Mitigating risks in cross-border acquisitions. Journal of Banking and Finance 33, 640–651.

Martynova, M., Renneboog, L., 2008. A century of corporate takeovers: What have we learned and where do we stand?, Journal of Banking and Finance 32, 2148–2177.

Metwalli & Tang (2013), Mergers and Acquisitions in Japan: An Update, Journal of Corporate Accounting & Finance, volume 24, issue 6).

Moeller, S. B., Schlingemann, F. P., & Stulz, R. M. (2004). Firm size and the gains from acquisitions. Journal of Financial Economics, 73, 201–28.

Moeller, S. B. and F. P. Sclingemann (2005), Global diversification and bidder gains: A comparison between cross-border and domestic acquisitions, Journal of Banking and Finance 29, 533-64.

Pettway, R. H., Sicherman, N. W., & Yamada, T. (1990). Japanese mergers: Relative size, corporate collectivism and shareholder wealth. In Rhee, S. G., & Chang, R. P. (Eds.), Pacific–Basin capital markets research (pp. 181–202).

Rosen, R. J. (2006) Merger momentum and investor sentiment: the stock market reaction to merger announcements. Journal of Business, volume 79, issue 2, pp. 987-1017.

Rossi, S. and P. F. Volpin, (2004), Cross-country determinants of mergers and acquisitions, Journal of Financial Economics 74, 277-304.

Seth, A., Song, K. and Richardson, R. (2002), Value Creation and destruction in cross-border acquisitions: An empirical analysis of foreign acquisitions of U.S firms, Strategic Management Journal, Vol. 23, pp. 921-940.

Shleifer, A. and R.W. Vishny (2003), Stock market driven acquisitions, Journal of Financial Economics 70, 295-311.

Shimizu, K., Hitt, M.,Vaidyanath, D., Pisano, V. (2004), "Theoretical foundations of cross-border mergers and acquisitions: A review of current research and recommendations for the future", Journal of International Management 10, pp. 307-353.

Thanos, C, & Papadakis, M. (2012), The use of Accounting-based Measures in measuring M&A performance: A review of five decades of research, Advances in Mergers and Acuisitions, Emerald Group Publishing Limited, volume 10, pp. 103-120.

Uddin, M., & Boateng, A. (2009). An analysis of short-run performance of cross-border mergers and acquisitions: Evidence from the UK acquiring firms. Review of Accounting and Finance, 8, 431–453.

Yeh T.M., Hoshino Y., Productivity and operating performance of Japanese merging firms: Keiretsu-related and independent mergers, Japan and the World Economy, 2002, 14, 347-366.

Magazine sources:

Fukase, "Japanese M&A overseas takes off", Wall Street Journal, (28.4.2015)

http://www.wsj.com/articles/japanese-m-a-overseas-takes-off-1430253487?mg=id-wsj

Lewis & Inagaki, "Japan Inc: M&A's big spenders, Financial Times, (22.12.2015)"

https://www.ft.com/content/770e7814-8185-11e5-a01c-86